

**- Health and Recovery Services Administration -
Changes Required to Support Federal Drug Rebates
for Non-Pharmacy Drug Claims**

The inclusion of the National Drug Code (NDC) on Medicaid claims supports the invoicing and collection of federal drug rebates from drug manufacturers. The NDC is the 11-digit number the manufacturer or labeler assigns to a pharmaceutical product and attaches to the product container at the time of packaging.

To maximize federal rebate recoveries from drug manufacturers, the Health and Recovery Services Administration (HRSA) will be requiring the NDC for all covered outpatient drugs administered/supplied in other than a pharmacy setting for the purpose of collecting rebates. A phased approach is currently being evaluated, with claims submitted by physicians, physician clinics and kidney centers being the first to be considered.

An analysis of claims data for calendar year 2004 indicates that had the NDC been available on the first group of claims, an additional \$7.1 million in rebates could have been collected from the drug manufacturers. Additionally, the reporting of the NDC on claims will reduce opportunities for manufacturer dispute of amounts currently invoiced.

No additional or special claim form will be required for reporting the NDC since the paper HCFA 1500, UB92 and the electronic 837P and 837I claim forms all accommodate reporting the NDC. A forthcoming numbered memorandum will provide detailed instructions for submitting the claims with the NDC.

The effective date for the requirement will be approximately 60 days after the publication of the numbered memorandum to allow adequate time for providers to resolve any billing procedure questions and address any internal operational issues.

HRSA will be taking steps to ensure providers are aware of and prepared for this reporting change.

- Publication of Billing Instructions.
- Communication and coordination with professional associations with possible inclusion in association newsletters.
- Broad communication using Department web sites, remittance advice newsletters, provider bulletins, etc.
- Direct telephone contact with high volume providers.
- Notification and training for provider toll free line operators.
- Field visits by Provider Relations staff.

Additional federal drug rebate opportunities (e.g., parenteral nutrition providers, hospitals, other) are currently being evaluated for future phases. Wherever Federal regulations permit and consistent procedures can be developed, HRSA intends to require reporting the NDC for rebate purposes.